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(1) LDP eyes Lower House election on Oct. 26, based on need for early economic package after shock of Lehman Bros. collapse

SANKEI (Page 35) (Full)

September 18, 2008

The Liberal Democratic Party started coordination yesterday to set the day of official announcement at Oct. 14 and the voting day at Oct. 26 for the next House of Representatives election. It is now necessary to dispel growing fears of a global financial crisis triggered by the demise of the leading U.S. securities house Lehman Brothers Holdings Inc. To this end, the LDP judged it necessary to "dissolve the Lower House at an early date and for the new prime minister, having obtained the public's vote of confidence in the general election, to swiftly come up with an economic package," as a party executive said. It is now highly likely that the Lower House will be dissolved on Oct. 3.

According to several ruling party sources, the new LDP president will be elected in a joint plenary meeting of party members of both Houses of the Diet on Sept. 22. An extraordinary Diet session will be convened on the 24th, when an election will be carried out to designate the new prime minister and the selection of a new cabinet will be made. The new prime minister will leave for the U.S. on the 25th and deliver a speech at the United Nations' annual assembly on the evening of Sept. 25, local time. After returning to Japan on the 28th, the prime minister will deliver speeches at plenary sessions of both Lower and Upper House on the 29th. On Oct. 1-3, a representative interpellation session will take place at both chambers of the Diet.

Over the timing of the next Lower House election, the following two options had been viewed as likely as a result of consideration given to the state of preparations by local electoral management

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committees: (1) announcement on October 14 and election on Oct. 26; and (2) announcement on Oct. 28 and election on Nov. 9. But objections to the second option erupted in the LDP. The members feared that if the LDP presidential election came after the U.S. presidential election on Nov. 4 and if Democrat Barack Obama were elected, calls would grow for a change of government in Japan.

The plan for official announcement on Oct. 14 and election on the 26th is now the most likely option. But this plan also contains problems. The 2008 Asia-Europe Meeting (ASEM) Summit will take place in Beijing on Oct. 24-25, so the new prime minister will have to leave Japan just before the election. It will also become necessary to dissolve the Lower House on Oct. 3, the final day of the representative interpellation session, when considering the preparatory period needed until the official announcement. In this case, therefore, it will become impossible to start deliberations on the supplementary budget bill before the election.

In the LDP presidential race, Secretary General Taro Aso is the frontrunner, as surveys show. Aso enjoys a majority of supporters among lawmakers and local chapter heads. Aso has declined to say when the Lower House should be dissolved, but a senior member of the Aso camp said: "Mr. Aso is determined to dissolve the Lower House at an early date in order to break the impasse in the Diet in the politically divided Diet situation." Many think that if Aso assumes the party presidency, he will dissolve the Lower House at an early date to seek the judgment of the public.

However, if the Lower House is dissolved before deliberations start on the supplemental budget bill, objections will certainly come from the Democratic Party of Japan (DPJ) and other opposition parties. The new administration is expected to make a final judgment, taking into consideration the results of various opinion polls to be conducted just after it is launched.

(2) Global warming gas emissions rights trading: Trading houses to be allowed to serve as brokers; Each company to set its own reduction goal, according to outline of domestic experiment

NIKKEI (Page 1) (Full)
September 17, 2008

The outline of an experiment on the global warming gas emissions trading system, which the government will launch in October, has

been firmed up. Under the plan, the government will allow trading houses and banks to act as brokers for carbon emissions-rights so as to smoothen trade in CO2 emission credits by companies. Companies will voluntarily decide whether to take part in the experiment and set a reduction goal. Companies that have reduced carbon emissions more than the set goal can sell the surplus. Companies that have missed their goals can purchase emissions credits to make up for the shortage.

The report will be presented to a meeting of the subcommittee of the Round Table on the Global Warming Issue reporting to Prime Minister Fukuda to be held on the 17th. The government plans to start recruiting participating companies before the end of October after the coordination of details. The government will aim to have as many companies as possible take part in the project in order to make the system effective. Companies will be urged to take part on an individual basis. Participation by industry will not be approved.

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(3) Government, industry circles split on application of rules on carbon emissions rights trading system; Plan to launch system next spring will likely face complications

YOMIURI (Page 9) (Full)
September 18, 2008

The government on September 17 revealed the outline of a domestic carbon emissions credits trading system to be tested from October. Under the system, companies will set a carbon emissions reduction goal on their own, the government apparently having given consideration to industry circles, which have been cautious about introducing such a system. However, the government and industry circles remained split on the application of the rules. The government will recruit companies taking part in the system starting October, and actual emissions trading will start next spring. However, coordination of views before launching the system will likely be difficult.

Under the adopted system, companies that have reduced global warming gas emissions more than the set goal can sell emissions credits. Companies that have missed their targets must make up for the shortages, by purchasing emissions credits. As such, the system has the effect of urging companies to make energy-saving efforts. Emissions reduction goals will be set, based on the voluntary action program, which each industry set on a voluntarily basis. Japan adopted this system, giving consideration to the fact that there is strong opposition in Japan to the European Union (EU) system of the government imposing reduction targets.

A method of determining whether reduction goals set by companies are appropriate or not and verifying the implementation process has yet to be adopted. A point has been made that since the setting of goals will determine the efficacy of the system, it is necessary to have a third organ check goals set by each company. There is concern that too high barriers would bar companies from taking part in the system. The future challenge will likely be to keep the balance of the system.

Whether to allow participation by industry has yet to be decided. In principle, the government calls for corporate participation on an individual basis. However, industry circles' stance is that corporate participation as proposed by the government would make it difficult for each industry segment to promote its own measures to combat greenhouse gas emissions, as the Japan Iron and Steel Federation noted.

Another point in question is whether to allow emissions credits to be traded as future goods, assuming that there would occur surpluses or shortages in emissions credits. Some government officials take the stand of allowing such a trading system, saying, "Allowing such a trading system would activate carbon emissions trade." However, some industry sectors are alarmed about the idea with the Federation of Electric Power Companies of Japan noting that the introduction of such a system could usher in a money game.

Since it was Prime Minister Fukuda that has strongly advocated the introduction of the domestic carbon emissions credit trading, some take the view that the mood for introducing the system would ebb because he has announced his decision to step down, as one government source said.

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(4) Former LDP Secretary General Nonaka has doubts about Aso's qualifications to be LDP president and prime minister

MAINICHI (Page 5) (Full)
September 17, 2008

Question: Secretary General Taro Aso is now leading other candidates in the Liberal Democratic Party's presidential race.

Hiromu Nonaka: Since as many as five candidates are running in the election, there is a general lack of tense atmosphere. Although the way Mr. Aso speaks may appeal to some people, I wonder how rank and file LDP members think. The way the media reports the presidential campaigns is also a problem.

Question: You have been harsh on Mr. Aso since you were an LDP lawmaker.

Nonaka: From the viewpoint of human rights, he lacks awareness of treating everybody equally, even though he comes from a high respectable family. I have doubts about his qualifications to be the nation's top leader.

Although he was previously told by former Prime Minister Shinzo Abe and former Prime Minister Yasuo Fukuda that they wanted to step down, he did not consider how to deal with these situations. Instead, he announced his candidacy for the races to elect a successor to Abe and now Fukuda. He does not know how to carry out the duties of secretary general.

Question: How about his policy?

Nonaka: I wonder how a person who used to advocate a structural reform policy will come up with a specific package of economic stimulus measures. It is not enough for him to just say that he will implement economic stimulus measures. A supplementary budget for fiscal 2008 must be adopted by the end of the year so that local governments will be able to use it for their people. If he dissolves the Lower House at the outset of the extraordinary Diet session, his lack of capability will be revealed. As a result, he will suffer considerable damage.

Question: Do you think the presidential election will give an advantage to the LDP in the Lower House election?

Nonaka: If the DPJ does what it should do, such as enacting the supplementary budget, it will gain a majority of the Lower House seats. However, I think there is a chance that the LDP will hand over the reins of government to the Democratic Party of Japan (DPJ). I want to see political realignment after the Lower House election. Seeing the divided Diet and the LDP's situation, I think issues will not be resolved without political realignment.

Question: Do you think it is possible for the LDP and DPJ to form a grand coalition?

Nonaka: With both the ruling and opposition parties moving to the right, there is a chance now to form a pivotal group of lawmakers who would make sure that Japan would never wage another war. I think political realignment should take place.

Question: Do you think there are such persons among the presidential

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candidates?

Nonaka: If I may venture to say, Nobuteru Ishihara is the only person.

Question: How about Economic and Fiscal Policy Minister Kaoru Yosano?

Nonaka: His policy is first rate I want him to win the race. But he lacks punch in his voice. I'm concerned about his health. With the prime minister after the next prime minister in mind, I think LDP members should bear in mind Ishihara as a potential prime ministerial candidate.

Question: What are your assessments of former defense ministers -- Yuriko Koike and Shigeru Ishiba?

Nonaka: Ms. Koike must be a smart person, but I cannot entrust our country to a person who has followed the powers-that-be. There might be a scenario in which (former Prime Minister Junichiro) Koizumi will come forward again.

Mr. Ishiba is an expert in defense policy, but I don't know what kind of a politician he is.

(5) Interview with former Finance Minister Masajuro Shiokawa on LDP presidential race: I can sense a psychological distance from the general public

MAINICHI (Page 5) (Abridged slightly)
September 18, 2008

-- What is your view of the ongoing LDP presidential race?

Shiokawa: The race is centered on slogans. None of the five candidates has gone beneath the surface. I can sense a psychological distance from the general public.

-- What is beneath the surface?

Shiokawa: The people have come to realize that the divided Diet is blocking politics from moving forward. Some even think that the reins of government should be handed over for a time to the Democratic Party of Japan. I think the people have gradually come to understand what is wrong with politics. The LDP must present ways to fix the problem. I am afraid that the five candidates are unaware of that reality.

-- Are you saying that the presidential race is going on without anyone having a clue about that point?

Shiokawa: That's right. The election is for the LDP alone. They are saying things as if they are still conducting politics. They have not discussed specially how to bring stability to politics and what to do about the divided Diet. They are thinking only of themselves.

-- Concretely, how should matters be discussed?

Shiokawa: Being members of the party in power, they should discuss the issues thoroughly with others, including the opposition parties, and what was discussed there should be made public. If (the opposition parties) still do not listen, the Diet should be

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dissolved as a crucial state matter. Politics should be conducted in line with the popular will. I want to see the candidates face the election with such resolution.

-- Their policies, especially economic and fiscal policies, seem quite distinctive.

Shiokawa: There is no move to build a society that is more generous and forgiving. That would be effective in the next Lower House election, as well. Why is the Japanese economy at an impasse, and what is the cause of it? I want to see the candidates address such points rather than advocating aggressive fiscal disbursements, or other means, for that matter.

-- Secretary General Taro Aso is way ahead of the other candidates.

Shiokawa: He has been referred to as the white knight coming to save the day after the Abe and Fukuda administrations. Once he wins the LDP presidency, he is certain to become the next prime minister. But he has to remain in the post for some time. To do so, he needs to know what the public wants.

-- What about other candidates?

Shiokawa: (Former Defense Minister Yuriko) Koike is a female candidate, and that's her strength. Her campaign pledges are concrete, and that's good, too. (Economic and Fiscal Policy Minister Kaoru) Yosano is an orthodox politician. (Former Policy Research Council Chairman Nobuteru) Ishihara and (former Defense Minister Shigeru) Ishiba are vibrant and promising.

-- Primary elections will be held by local party members and fraternity members across the country.

Shiokawa: The presidential election has become open substantially, but I still think the local votes -- 141 in all -- are still too small. Local party members and fraternity members deserve better treatment. The party should give 6 to 10 votes to each prefectural chapter. Hearing the people's views requires something that is not superficial. The LDP's approach is still half-baked.

(6) Bargaining underway between DPJ and LDP over handling of supplementary budget, with former demanding settlement through talks and latter dismissive of talks

TOKYO SHIMBUN (Page 2) (Abridged slightly)
September 18, 2008

By Goto, Soka

Political maneuvering began yesterday between the Liberal Democratic Party and the Democratic Party of Japan over the handling of the fiscal 2008 supplementary budget in the next extraordinary Diet session. In a Diet affairs chiefs' meeting, the DPJ demanded a settlement through talks in return for extending cooperation for the enactment of the supplementary budget in a bid to apply pressure on the LDP, which wants to swiftly implement a package of economic stimulus measures in the face of the financial turmoil originated in the United States. But given growing calls in the party for dissolving the Lower House at the outset of the next extraordinary Diet session, the LDP cannot easily respond to the DPJ's demand. The two parties' Lower House dissolution strategies are clashing with

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each other.

In yesterday's meeting, DPJ Diet Affairs Committee Chairman Kenji Yamaoka said to his LDP counterpart Tadamori Oshima: "It is conceivable for us to make maximum compromises regarding the supplementary budget, enact it, and then dissolve the Lower House through talks." The proposal was based on the Budget Committee of each Diet chamber holding a session for at least two days.

Although the proposal appears to be a compromise at a glance, it is actually intended to prevent the next prime minister from dissolving the Lower House at an early date, to severely blame the government regarding the tainted rice issue and other matters, and to dampen the next cabinet's support ratings.

Aware of such intent, the LDP is dismissive of the DPJ proposal, with Oshima commenting, "It is not a proposal we can give constructive thought to."

The prevailing view in the LDP is that the Lower House must be dissolved at an early stage of the upcoming extraordinary Diet session so that the political parties will be able to kick off their official campaigns on Oct. 28 for a general election on Nov. 9 after the Budget Committee in each chamber meeting possibly for one day.

If the ruling bloc opts to enact the supplementary budget

independency without the cooperation of the opposition camp, it would have to wait for the bill to clear the Diet automatically about 30 days after Lower House approval. This might end up delaying the Lower House dissolution until November or beyond.

Economic and Fiscal Policy Minister Kaoru Yosano, an LDP presidential candidate, and others are still calling for the budget's enactment before the dissolution. But a senior New Komeito lawmaker said: "The Lower House should be dissolved while the next cabinet is enjoying high support ratings. (The enactment of the supplementary budget) can wait until after the Lower House election."

Echoing this view, Secretary General Taro Aso, who is far ahead of other presidential candidates, predicted that in order to take countermeasures early, the Lower House would be dissolved (sooner rather than later)."

SCHIEFFER